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NATIONAL INTELLIGENCE DAILY CABLE

Saturday January 29, 1977

CG NIDC 77-023C

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Saturday, January 29, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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SPAIN: Dealing with Terrorism

25X1 [] The Spanish government last night suspended portions of the constitution for one month after gunmen killed three policemen in the Madrid suburbs.

25X1 [] The suspension will allow police to search homes without warrants and to hold suspects indefinitely. It was announced following an emergency cabinet meeting called by Prime Minister Suarez last night. The new measures follow tough search and arrest powers already granted police on Wednesday. Suarez plans to address the nation today.

25X1 [] Earlier yesterday, all police and civil guards were mobilized, roadblocks were set up around the capital, and special units were sent to airport and railroad terminals to check all departing passengers in a search for the suspected terrorists.

25X1 [] A statement broadcast by the interior minister said the terrorist attacks were aimed at producing a climate of fear and a lack of confidence in the authorities. The ministry assured listeners that the government and police remain in control.

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[] Apparently the government still does not know whether yesterday's assailants were leftists or rightists. It issued a blanket warrant for the arrest of all political "extremists" for questioning. In spite of the government's evenhanded treatment of the political factions, speculation continues concerning the reliability of the police, who in the past have been accused of having close ties with rightist terrorists.

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[] Government authorities, who have been in close touch with leaders of the political opposition, yesterday advised them to close their offices to guard against a recurrence of the right-wing attack on Monday in which four Communist lawyers were killed.

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[] The latest attacks appear calculated to sow fear and doubt and cripple the government's efforts toward democratization. The new attacks have aggravated the already tense situation and spurred additional demands for the government to end the killing.

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[] The vast majority of the Spanish people, including the Communists and other opposition parties, want to maintain law and order. For the present, at least, they are likely to continue to respond positively to appeals from both the government and their own leaders to remain off the streets in order to minimize the danger of further violent incidents. []

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FRANCE: Nuclear Cooperation

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[] The head of the French Atomic Energy Commission, Andre Giraud, last week renewed his proposal that the US and France cooperate in the expansion and management of nuclear fuel cycle facilities. This is the second time in three months that he has called for such an arrangement.

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[] Giraud may not have been speaking on behalf of his government, but he almost certainly had the support of top-level officials for his suggestion to US officials that the two countries coordinate their civilian nuclear fuel operations. Although the proposed cooperation was not fully defined, it included planning and management of uranium enrichment plants,

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nuclear fuel fabrication plants, and fuel reprocessing plants. Giraud indicated that France would welcome cooperation either between the two governments or among the respective nuclear fuel industries.

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[REDACTED] //The proposal probably was motivated primarily by economic concerns. The French are already the leading participants in the construction of Europe's first large uranium enrichment plant, through a consortium called Eurodif, but at the same time they are planning a second multinational plant costing several billion dollars and are worried that future construction of uranium enrichment plants in the US will create a surplus of enrichment capacity.//

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[REDACTED] //By jointly planning the expansion of each country's enrichment capacity, and perhaps investing in each other's efforts, the supply of uranium enrichment services could be made to follow demand more closely, and France might secure a greater share of future worldwide enrichment contracts.//

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[REDACTED] //France also hopes to secure a large part of the worldwide fuel reprocessing market. To do so, current domestic reprocessing capacity may be increased by the mid-1980s to 2,400 metric tons of fuel per year, twice the capacity France needs for its own purposes.//

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[REDACTED] //France now has the advantage of operating one of the world's few plants capable of reprocessing common power reactor fuel. Even so, cooperation with the US could eliminate potential problems for France in reprocessing any foreign reactor fuel containing uranium that was obtained or enriched in the US. France probably also would be more assured of a fixed reprocessing market.//

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[REDACTED] In addition to similar economic benefits for US industry, the French probably believe that creation of the stable supply of nuclear fuel services that would result from this cooperation could greatly benefit international efforts on non-proliferation. Assurance of these services would reduce the incentive for countries to develop an independent capability to enrich uranium or to extract plutonium from spent fuel.

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[REDACTED] //Although France may prefer cooperation with the US, it could turn to other countries if overtures to the US are not successful. France already operates its existing reprocessing plant in conjunction with West Germany and the UK, and future reprocessing plants might also be operated through this group, particularly if the US maintains the moratorium on fuel reprocessing. There also is some evidence that France is exploring cooperation with the West German-British-Dutch uranium enrichment consortium, Urenco.// [REDACTED]

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GUYANA-CUBA: Arming the Militia

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[REDACTED] //Cuba is apparently supplying weapons to Guyana presumably for the newly formed Peoples' Militia. [REDACTED]

[REDACTED] //The Guyanese government began organizing the Peoples' Militia last year under the guise of mobilizing the country against foreign threats. The government says it has recruited some 5,000 men already, but actual strength is probably about half that number. Even so, the militia would be roughly equal to the regular armed forces in numbers and equipment, if not in training.//

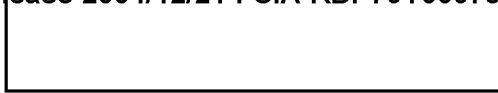
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[REDACTED] //Former premier Cheddi Jagan, leader of the East Indian opposition in this racially divided country, recently charged that the militia was actually a partisan force designed to intimidate opponents of Prime Minister Burnham and to perpetuate black rule in Guyana.//

[REDACTED] //Burnham, who is now convalescing from the mild heart attack he suffered last weekend, has long been preoccupied with security measures, both to protect himself and to preserve his political position. Cuba has played on this concern, providing Burnham with extensive advice and assistance [REDACTED]

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CANADA-BRAZIL: Broadening Contacts

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[REDACTED] Canadian Foreign Minister Jamieson's visit to Brazil, Peru, and Colombia underscores the importance the Latin Americans and Canadians place on broadening foreign economic and political contacts, thus reducing their dependence on the US.

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[REDACTED] Brazilian President Geisel has pointed to the 16-day visit as proof of Brazil's growing stature both as an economic power and as a spokesman for developing state interests. Much attention was also paid during the visit to the similarities between Brazil and Canada--their European roots, commitment to a mixed economy, and federal system of government--and to the challenges both face in developing their frontiers.

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[REDACTED] Jamieson reportedly was surprised by the warmth of his reception in Brazil and by the considerable freedom of the Brazilian press. While the visit focused primarily on economic matters, a wide range of international issues was also discussed, including the Law of the Sea negotiations and the situation in the Middle East, Africa, and Latin America.

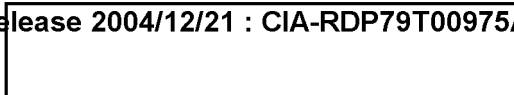
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[REDACTED] Although the Brazilians succeeded in deleting any mention of nuclear proliferation or human rights from the communique issued at the end of the visit, Jamieson did bring up both issues in private talks with Geisel and Foreign Minister Silveira. He reportedly argued that Brazil should sign the non-proliferation treaty or accept full-scale safeguards on all its nuclear facilities but did not press the Brazilians to change their position.

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[REDACTED] Canadian officials have disputed claims that Jamieson offered to mediate the US-Brazilian dispute over nuclear safeguards or that he was relaying any message from the new US administration. The Brazilians, in their talks with Jamieson and

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[] later at a press conference, stood firm on their determination to develop a full-fuel cycle nuclear industry regardless of foreign opposition.

25X1 [] The Brazilians defended their position on human rights, citing recent efforts to improve their record and arguing that the situation was worse in several other Latin American states. Jamieson later acknowledged at a press conference that human rights problems in Chile and Argentina "were worse."

25X1 [] Canadian officials believe major progress was made toward achieving the primary objective of Jamieson's visit--expanding economic cooperation with Brazil. The Brazilians are very pleased that the economic talks laid the foundation for increased cooperation in trade and technology amounting to more than \$2 billion over the next ten years.

25X1 [] Major contracts were concluded establishing joint ventures in the areas of transportation, petrochemicals, and minerals. A half billion dollar barter deal was also approved involving the exchange of Brazilian iron ore for Canadian coal.

25X1 [] The two foreign ministers signed three major technical cooperation agreements covering a wide range of projects including telecommunications, data processing, education, agriculture, and science. One of the agreements calls for special "trilateral" arrangements providing technical assistance to developing states, mostly in Africa and Latin America.

25X1 [] Jamieson's visits to Peru and Colombia were marked by similar success, particularly in the economic field. In Lima, Jamieson announced several new measures to promote bilateral trade and signed six technical cooperation accords amounting to \$10 million. []

ROMANIA: Personnel Changes

25X1 [] President Ceausescu announced on Tuesday the most sweeping changes in the Romanian party and government in recent years. The country's economic problems, rather than political maneuvering, seem to have spawned the shuffles, which follow a smaller reorganization only seven months ago.

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[] Economic difficulties arise from Ceausescu's overly ambitious economic plans, which call for continued 8 percent growth through 1980 despite increasing energy and hard currency constraints. Until recently, Bucharest could support rapid expansion with foreign borrowing and domestic oil, but these resources have been depleted by the growing demands of industrialization. Last year, Romania became a net oil importer, and its hard currency debt burden reached 46 percent.

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[] Ceausescu's apparent prescription for Romania's economic ills is to consolidate party control over the government economic apparatus. He has advanced party activists from the provinces into the middle levels of those government sectors that are lagging.

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[] On the government side, Cornel Burtica, a party secretary, and Ion Stanescu, a former interior minister who appeared to be under a cloud since 1973, were named deputy premiers. Stanescu also became a party secretary, and may assume responsibility for military and security affairs. It is unusual--if not unprecedented--in Romania that two party secretaries simultaneously serve as deputy premiers.

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[] The regime appointed new ministers for labor, electric power, and the mining and petroleum industries, and new minister - state secretaries were selected for the troubled areas of foreign trade, agriculture, machinebuilding, and the chemical industry. Ceausescu's concern about flagging popular enthusiasm and discipline may have led him to choose a new justice minister, general prosecutor, and chairman of the supreme court. According to available information, most of these ministerial appointees have strong party backgrounds. Seven are former county first secretaries.

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[] Ceausescu expanded the party's five-man Permanent Bureau by adding Burtica, party secretary Ilie Verdet, Deputy Premier Gheorghe Radulescu, and his wife Elena. Ceausescu appears to use this body to decide day-to-day questions. It has seemed to focus largely on economic matters in the past, but increasing its membership suggests that Ceausescu may expand its role. Romanian sources say this expansion was necessary to include a broader mix of subject areas and to focus responsibilities more clearly.

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[REDACTED]

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[REDACTED] The elevation of Elena Ceausescu to the Bureau formalizes her considerable behind-the-scenes influence in party affairs, especially in personnel matters. A full member of the party's Political Executive Committee--similar to the Soviet Politburo--she has now become a powerful force in her own right. She is extremely unpopular, and her new post may spur more charges of nepotism.

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[REDACTED] Ceausescu has apparently returned to the frequent "cadre rotations" that characterized his rule in the early 1970s. Earlier, he replaced old guard leaders with lesser known, younger men who presumably were loyal to him.

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[REDACTED] A planned central committee plenum in February is likely to make further changes at lower levels of the party. There are also rumors of shifts in the Foreign Ministry. Presidential counselor Vasile Pungan, who advises Ceausescu on foreign economic affairs, may replace Foreign Minister Macovescu, whose departure has been rumored for some time.

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[REDACTED] As he shapes his team, Ceausescu seems hard pressed to balance his requirements for loyalty with the need for economic and administrative competence at the highest levels. He seems to be returning to older, senior figures--such as Radulescu and Verdet--whose careers appeared to be stymied, but who have strong backgrounds in economic affairs. [REDACTED]

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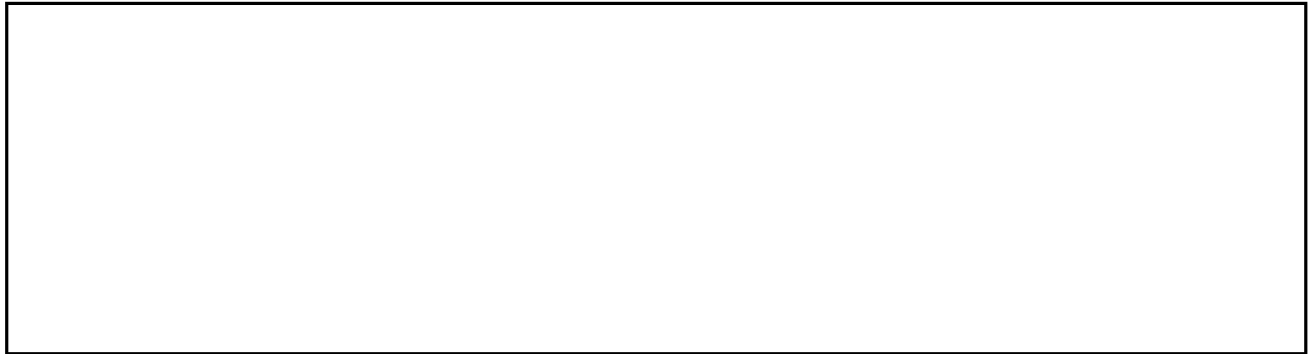
[REDACTED]

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CEMA: Loan Terminated

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[REDACTED] //Negotiations for a \$200-million Eurodollar loan for CEMA's International Bank for Economic Cooperation have been terminated because of a legal impasse.//

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[REDACTED] //Lawyers for the lending syndicate, which is based in the UK, concluded that under British law IBEC is not a legal entity and thus cannot enter into a contract, sue, or be sued. IBEC is an international organization owned by the nine members of CEMA.//

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[REDACTED] //IBEC and the lenders failed to agree on several alternative proposals to rewrite the loan agreement to side-step the issue. IBEC finally withdrew its request for the loan on January 21.//

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[REDACTED] //The failure to conclude the loan does not reflect unfavorably on the credit rating of IBEC or the CEMA countries. The loan was well received at the same favorable interest terms that have been given on recent loans to the USSR and Czechoslovakia.//

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[REDACTED] //The termination raises questions about previous loans to IBEC and its sister bank, the International Investment Bank (IIB). IBEC has borrowed some \$250 million since 1972 and IIB some \$1.1 billion, mostly over the past two years. If the latest legal opinion should hold up, creditors involved in past loans presumably could sue loan managers for failure to obtain adequate guarantees. There have been a number of suits of this type recently, but the IIB and IBEC loans will probably not lead to suits except in the unlikely event of default.//

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25X1 [] //A solution to the impasse over the legal status probably will take several months, since it probably will involve changes that require approval by the nine CEMA member countries. One possible solution would be for the members to assume a more explicit role in the banks' agreements with the West, for example, as loan guarantors. []

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USSR: Short Workweek

25X1 [] The USSR has unexpectedly cut the workweek for about half the country's 600,000 coal miners from 38 to 30 hours. A similar reduction, in the face of mounting energy and manpower problems, is planned for the remaining miners, but such cuts are not likely to spread to other sectors of the economy.

25X1 [] The hours reduction, which is coupled with a 10-percent pay hike, probably is an attempt to attract more workers into this unpopular line of work.

25X1 [] This is the first reduction in the Soviet workweek since 1960, when the standard week dropped from 46 to 41 hours, with coal miners working 38 hours to compensate for adverse working conditions. A shift to a general 35-hour workweek, and 30 hours for miners, was scheduled for implementation between 1964 and 1968 but was canceled because of declining rates of growth of employment and the failure of productivity gains to meet planned rates.

25X1 [] Soviet coal production has received greater emphasis in recent years as petroleum extraction problems have become widespread. After stagnating in the late 1960s, coal production has increased at an average annual rate of 2.5 percent since 1970, and plans for 1976-1980 call for this rate of growth to rise to 3.7 percent per year.

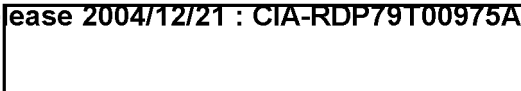
25X1 [] In light of the high priority for coal, the official explanation that the hours reduction was made possible by technological advances, which enabled the workweek to be cut without sacrificing production levels, is unconvincing.



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 Average wages in coal mining are already the highest in Soviet industry, and the new increase will bring the average level in coal to about double the average for all industry. Other incentives designed to attract and hold workers in this field include a recent increase in the pensions of coal miners and a ruling that permits pensioners to receive their full pension if they continue to work in the mines. In most Soviet industries, working pensioners can receive only half of their pensions. 

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